GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

STARRED QUESTION NO:293
ANSWERED ON:03.09.2007
AGRICULTURAL CREDIT REFORMS FOR FARM PRODUCTIVITY
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Will the Minister of AGRICULTURE be pleased to state:

(a) whether agricultural credit reforms have been identified as the primary pathway for enhancing farm productivity and profitability of farmers; and

(b) if so, the steps taken by the Government in this regard alongwith the success achieved therein?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF AGRICULTURE (SHRI SHARAD PAWAR)

(a) and (b): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) AND (b) OF LOK SABHA STARRED QUESTION NO. 293 DUE FOR REPLY ON 3RD SEPTEMBER, 2007.

(a) & (b): Government is of the view that the full potential of agriculture as a profitable activity must be realized at the earliest to benefit the farmers. Among the factors that will help in realizing this full potential is access to institutional credit in hassle free manner at lower rate of interest. The Government of India has, in recent years, in consultation with the Reserve Bank of India and NABARD, initiated several steps to ensure that the various financial services from banks are extended to the poor farmers. Some of the important measures in this regard are :-

1. On 18th June, 2004, the Government of India announced a comprehensive Farm Credit Package stipulating, among other things, that the Scheduled Banks (Commercial Banks and RRBs) may finance 50 lakh new farmers each year, besides doubling the flow of farm credit in three years beginning 2003-04. The ground level farm credit flow during 2003-04 to 2006-07 and number of new farmers financed by the scheduled banks during 2004-05 to 2006-07 are indicated below:

Year	Total Ground Level Credit (Rs in crore)	New farmers financed (in lakhs)
2003-04	86981	-
2004-05	125309	79
2005-06	180486	79
2006-07	203297	84

2. Banks have been advised to simplify the procedure for documentation for agricultural loans.

3. Considering that high rates of interest often act as a deterrent to farmers (particularly SF/MF/TF) for availing farm credit, the Hon`ble Union Minister of Finance, had announced in the Union Budget (2006-07), that henceforth crop loans upto Rs. 3 lakh may be provided at 7% at the ground level. Accordingly, crop loans are presently being made available at 7% at the ground level by all agencies. The two per cent interest subvention scheme for short-term crop loans has been continued in 2007-08 also and a provision of Rs. 1,677 crore has been made for this purpose.

4. Loans upto Rs. 50,000/- have been made collateral and margin free.

5. Banks have been advised to provide all eligible farmers with Kisan Credit Cards to enable them to have hassle free access to credit. Banks have issued 96.80 lakh, 80.12 lakh and 74.70 lakh fresh KCC during the last three years. The banks cumulatively have issued 665.64 lakh KCCs at the end of 31st March, 2007.

6. Cooperatives, which have so far catered to the financial needs of the small and marginal farmers, have not been able to perform satisfactorily during the last few years on account of financial, structural and managerial weaknesses. In order to revive the short-term rural cooperative credit institutions, a package of measures, as recommended by the Vaidyanathan Committee is under implementation. So far, 18 States and 1 Union Territory have conveyed their acceptance of the Package which includes financial support, human resource skill improvement and systems upgradation, associated with legal reforms.